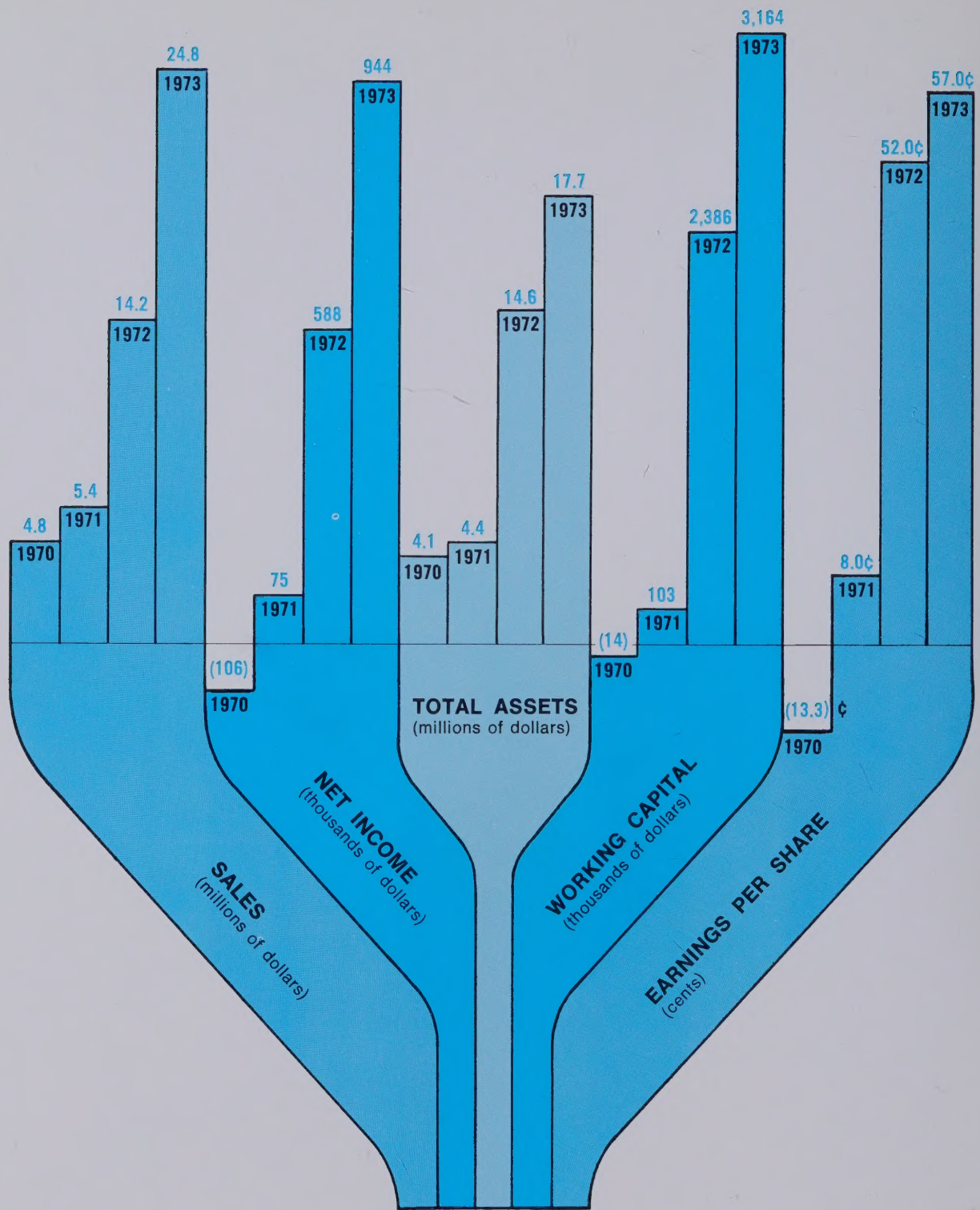


AR34



Annual Report 1973



Four Year Growth





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Directors



Standing A. G. LESTER
Director

S. I. BELZBERG
Vice-President manufacturing

J. L. SWITZER
Executive Vice-President

A. M. FISH
President

Sitting IRA MILTON JONES
Director

MRS. A. M. FISH
Directress

DAVID STENDEL
Director



A. M. Fish, President

President's Report to Shareholders

Dear Shareholder:

A year ago we looked ahead to 1972/73 with confidence. The year's performance, as detailed in this report, has justified that optimism. Our progress during the year was consistent with our plans and fundamental objectives . . . to achieve sound growth while improving our market penetration and financial condition.

Performance

Unican recorded its best sales and earnings ever. Net Income for the year increased 60% to \$943,609, while sales rose to \$24,820,337. In each quarter of the year, we made measurable progress in the areas of new product introduction, cost control and market penetration. The many changes in Ilco's manufacturing facilities and product changes make it difficult to clearly compare Ilco's results with the previous years. However, operating results indicate that we have attained a solid market and product base which will result in continued improved profitability.

Significant Developments

In December 1972, Unican common shares were listed on the Toronto Stock Exchange, joining over 1,200 major corporations whose stocks are traded on Canada's largest securities exchange.

On April 1, 1973, Unican acquired the assets of Dynation Corporation of Little Falls, New Jersey. This expansion, into the heavy duty, high security padlock and cable

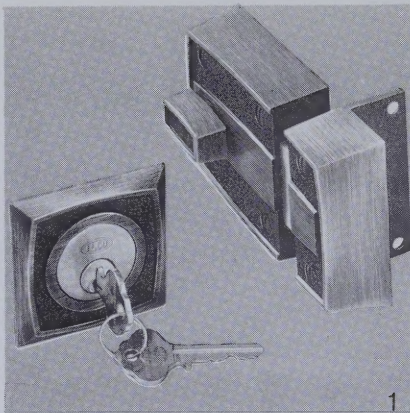


Dyna Lok Products

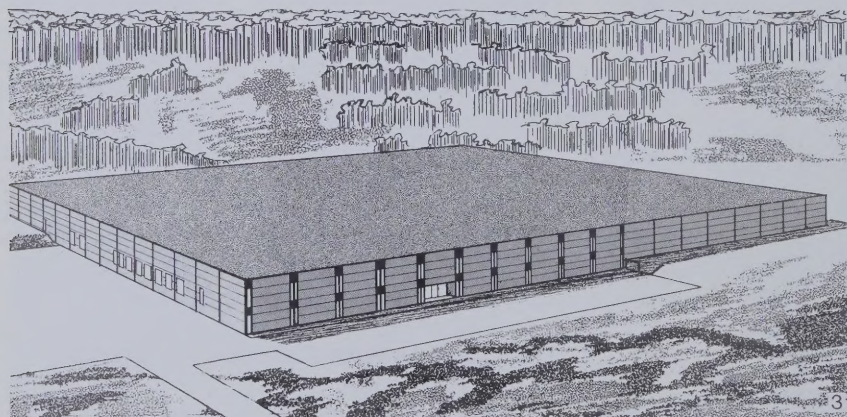
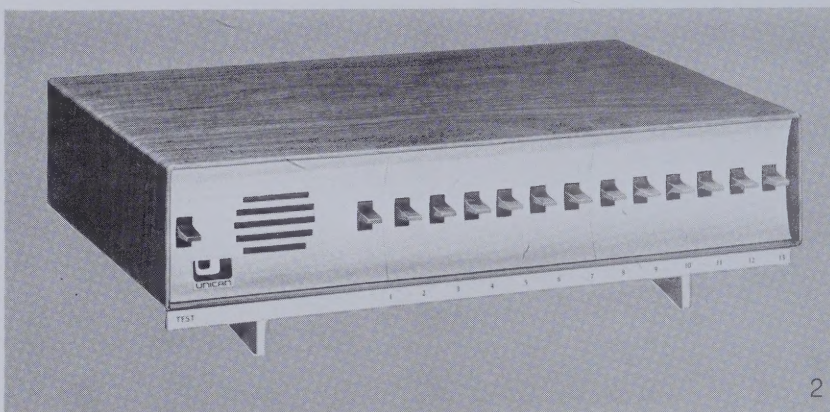
lock markets, will enable Unican to secure a more important position in serving its customers. We now have North America's most complete line of locks and security products "from one source."

On April 4, 1973, Ilco sold its automotive lock manufacturing assets and business, located in Selma, Alabama. This sale enabled Ilco to substantially reduce long term debt, improve working capital and concentrate the consolidation of manufacturing and marketing expertise to better serve the fast growing do-it-yourself and security markets.

In August 1973, Unican commenced construction of a new ultra-modern manufacturing facility in Rocky Mount, North Carolina. This 150,000 sq. ft. plant is being built on a 1.6 million sq. ft. tract of land purchased by Unican in July 1973. This commitment was made so that we may meet the future requirements of our customers.

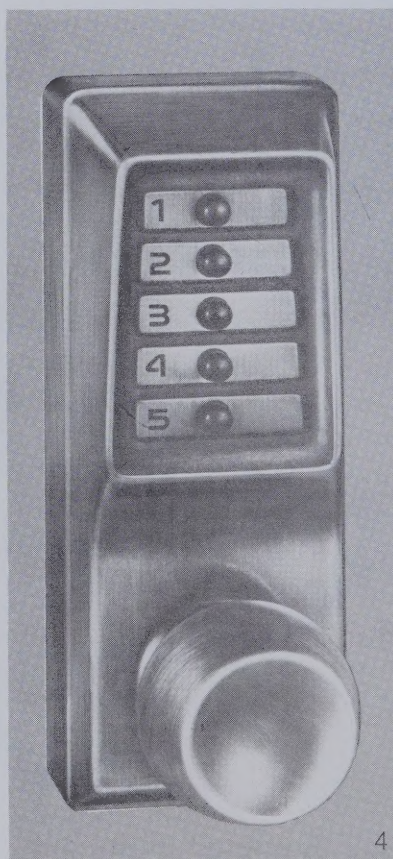


1. Unican 500 Lock.
2. Series 3000 Alarm Annunciator.
3. New Plant, North Carolina.
4. Series 1000 Access Control.



New Products

We continued our program of developing and introducing a significant variety of new locks and security systems to the basic markets we now serve. We spent in excess of \$56,000 on new designs, \$363,000 on new production tooling and \$485,00 on new machinery in order to assure a continued flow of new high quality security locks and systems from our factories.





In order to further penetrate the do-it-yourself and security product markets, we have developed programs which effectively display and sell our products to a growing range of distribution outlets.

Research and Development

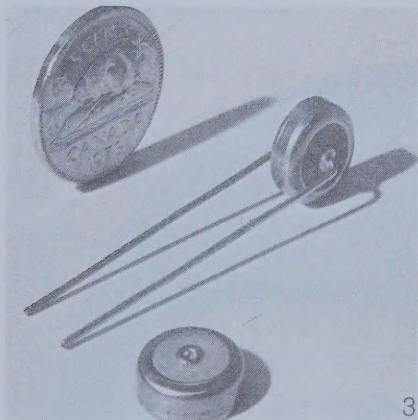
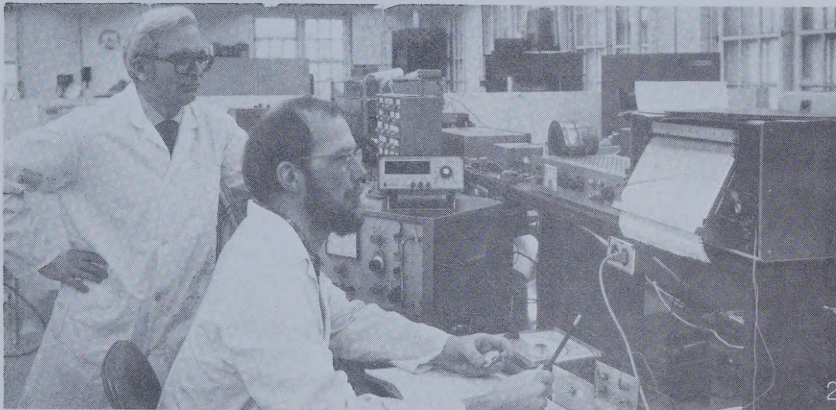
In 1973, Unican spent \$343,171 on electro-chemical research. To date, approximately \$805,000 has been expended, in this area, \$396,000 of this represents Government grants the remainder has been written off against earnings. We now have two products which we believe will make a substantial impact on their respective markets. Development of additional products is under way.

Our "Coulocom" is an inexpensive solid electrolyte device designed to measure time elapsed when a controlled amount of electricity is passed through the device. We have produced a quantity of these for testing by prospective customers in the automotive and electrical industries where reliable indication of component or equipment use is indicated. Our zinc air battery for use in hearing aids, and other small applications has progressed to the stage where a pilot production facility will be committed in the not too distant future.

Foreign Operations

We have already started two of a series of ventures with Crasnianski S.A. of Grenoble, France. Crasnianski operates in the European Common Market and is known primarily for their line of key duplicating equipment and replacement key blanks under the KIS trade mark.

Our venture with Crasnianski will be known as UNIKIS. We have opened a Unikis Japan company in Osaka which will distribute cabinet hardware, key duplicating equipment and replacement keys manufactured in Montreal Canada, Grenoble France and Fitchburg Mass., U.S.A.



1. Dead Lock Merchandising Unit.
2. R. & D. Laboratory.
3. Unican's New Coulocom.
4. New Unikis Logo

UNIKIS Limited Canada, was formed to manufacture key duplicating machines, replacement key blanks and a new patented system of color key blanks for the Canadian, American and other markets where we expect to expand Unikis marketing.

KIS has undertaken marketing of certain items in our lock and security products in Europe where they have an extensive distribution network. In England, our association with N.T. Locks has resulted in Ilco's obtaining exclusive marketing rights for a modern line of hydraulic door closers. These are being introduced to our customers under the Unican/Briton trade mark. In addition, N.T. Locks is assembling and marketing a line of cylindrical locksets manufactured by Ilco.

Preliminary contacts have been established which, if successful, will bring Unican products to Mexico, Brazil and Spain.

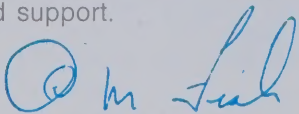
Summary

Our markets closely complement the movements in the economy affected by increases or decreases in construction. The high cost of services encourages growth of the do-it-yourself market and increases demand for security locks and systems.

With an expanding economy in Canada and the U.S.A., an improving international outlook, 1973/1974 should be a good business year.

As for the year ahead, we anticipate that Unican will produce record results.

On behalf of the Board of Directors, I would like to express our appreciation to the men and women of Unican for their dedication and effort in making this a year of stable and sound accomplishment and to our shareholders for their continuing interest and support.



Aaron M. Fish
Chairman of the Board



New Coloured Key Program.



Unikis "Astromatic" Key Machine.

UNICAN SECURITY SYSTEMS LTD.

and its subsidiaries



Consolidated Statement of Income

Year Ended June 30, 1973

	1973	1972
Sales	\$24,820,337	\$14,233,459*
Cost of goods sold and operating expenses before the undernoted items	<u>22,411,280</u>	<u>12,828,604</u>
	<u>2,409,057</u>	<u>1,404,855</u>
Depreciation on fixed assets	638,456	378,063
Amortization of patents and franchises	11,195	10,308
Interest (Note 7)	543,458	332,667
Research and development, net of government grants of \$175,906 (1972 - \$242,073) (Note 15)	<u>167,265</u>	<u>65,975</u>
	<u>1,360,374</u>	<u>787,013</u>
Income before income taxes and extraordinary gains	<u>1,048,683</u>	<u>617,842</u>
Income taxes (Note 16)		
Current	12,600	8,650
Deferred	<u>477,731</u>	<u>307,953</u>
	<u>490,331</u>	<u>316,603</u>
Net income from continuing operations	558,352	301,239
Income from discontinued operations less applicable income taxes	<u>131,749</u>	<u>106,770</u>
	690,101	408,009
Minority interest (Note 17(b))	<u>31,399</u>	<u>22,233</u>
Net income before extraordinary gains	658,702	385,776
Extraordinary gains (Note 18)	<u>284,907</u>	<u>202,321</u>
Net income for the year	<u>\$ 943,609</u>	<u>\$ 588,097</u>
Earnings per share (Note 19)*		

UNICAN SECURITY SYSTEMS LTD.

(A public company incorporated under the laws of Canada) and its subsidiaries



Consolidated Balance Sheet

June 30, 1973

Assets

CURRENT ASSETS:

	1973	1972
Cash	\$ 172,369	\$ 279,696
Accounts receivable	3,673,511	3,914,959
Government grants receivable	91,210	78,556
Sundry receivables	165,176	9,706
Amount due from shareholders on sale of real estate	—	106,390
Due from directors	—	4,819
Inventories (Notes 2(a) and 4)	7,304,164	5,665,857
Prepaid expenses	186,961	123,250
	<u>11,593,391</u>	<u>10,183,233</u>

INVESTMENT IN CORPORATE JOINT VENTURES, AT EQUITY

LAND, BUILDINGS AND EQUIPMENT (Notes 2(b) and 5)

	<u>94,986</u>	<u>—</u>
	<u>5,340,616</u>	<u>4,215,095</u>

OTHER ASSETS:

Patents and franchise rights, at cost less accumulated amortization (Note 2(c) (I))	118,511	106,415
Deferred development costs (Note 2(c) (II))	100,838	7,981
Unallocated cost of business acquired over net book value (Notes 2(c) (III) and 3)	237,591	—
Note receivable, due 1975	213,227	—
Deposits and sundry assets	17,765	59,849
	<u>687,932</u>	<u>174,245</u>
	<u>\$17,716,925</u>	<u>\$14,572,573</u>

ON BEHALF OF THE BOARD:

Q. M. Lish
J. L. Switzer

Director

Director

Liabilities

	1973	1972
CURRENT LIABILITIES:		
Bank indebtedness (Note 6)	\$ 3,844,336	\$ 3,754,200
Accounts payable and accrued liabilities	4,112,400	3,745,340
Current portion of long-term debt	<u>472,758</u>	<u>297,014</u>
	<u>8,429,494</u>	<u>7,796,554</u>
 LONG-TERM DEBT (Note 7)	 <u>2,461,410</u>	 <u>2,527,036</u>
DEFERRED INCOME TAXES (Note 16)	<u>404,960</u>	<u>166,701</u>
INTEREST OF MINORITY SHAREHOLDERS IN SUBSIDIARY COMPANIES (Note 17(a))	<u>493,636</u>	<u>637,559</u>
LITIGATION (Notes 12 and 13)		

Shareholders' Equity

CAPITAL STOCK (Notes 8, 9, and 14 (a)):		
Authorized:		
45,000 5% non-cumulative, preferred shares, redeemable at par value of \$1 each		
2,000,000 common shares without par value		
Issued:		
12,600 preferred shares	12,600	12,600
1,813,280 common shares (1,448,250-1972)	<u>5,468,831</u>	<u>3,941,472</u>
	5,481,431	3,954,072
CONTRIBUTED SURPLUS	35,200	23,466
RETAINED EARNINGS (deficit)	<u>410,794</u>	<u>(532,815)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>5,927,425</u>	<u>3,444,723</u>
	<u>\$17,716,925</u>	<u>\$14,572,573</u>

UNICAN SECURITY SYSTEMS LTD.

and its subsidiaries



**Consolidated Statement of
Retained Earnings
Year Ended June 30, 1973**

	1973	1972
Deficit, beginning of year:		
As previously reported	\$ 485,516	\$ 903,767
Adjustment to prior years' income taxes	<u>47,299</u>	<u>47,299</u>
As restated	532,815	951,066
Net income for the year	<u>943,609</u>	<u>588,097</u>
	410,794	362,969
Unallocated excess of cost of shares of subsidiary acquired over net book value of underlying assets written off in year of acquisition		<u>169,846</u>
Retained earnings (deficit), end of year	<u>\$ 410,794</u>	<u>(532,815)</u>

**Consolidated Statement of
Contributed Surplus
Year Ended June 30, 1973**

(arising from forgiveness of loan from government development grant agency)

	1973	1972
Contributed surplus, beginning of year	23,466	11,733
Portion of loan forgiven during the year	<u>11,734</u>	<u>11,733</u>
Contributed surplus, end of year	<u>\$35,200</u>	<u>\$23,466</u>



Consolidated Statement
of Source and Use of Funds
Year Ended June 30, 1973

	1973	1972
SOURCE OF FUNDS:		
Consolidated net income for the year	943,609	588,097
Items not involving a current use (source) of funds:		
Depreciation and amortization	658,087	388,371
Deferred income taxes	477,731	356,953
Minority interest	31,399	22,233
Extraordinary gains	(284,907)	(251,321)
Working capital provided by operations	1,825,919	1,104,333
Working capital of Ilco Corporation and its subsidiaries at date of acquisition	—	378,141
Reduction in long-term receivables	—	35,082
Proceeds from sales of land, building and equipment	988,451	261,774
Increase in long-term debt	736,346	87,000
Issuance of common shares	1,527,359	1,567,129
	<u>5,078,075</u>	<u>3,433,459</u>
USE OF FUNDS:		
Investment in corporate joint ventures	94,986	—
Acquisition of shares from minority shareholders	181,767	—
Purchase of shares of Ilco Corporation	—	18
Additions to land, building and equipment	2,691,168	827,731
Additions to other assets	532,863	27,567
Reduction in long-term debt	790,259	240,964
Dividends to minority shareholders	9,814	6,175
	<u>4,300,857</u>	<u>1,102,455</u>
INCREASE IN WORKING CAPITAL	<u>777,218</u>	<u>2,331,004</u>
Working capital, beginning of year:		
As previously reported	2,433,978	102,974
Adjustment to prior year's income taxes	(47,299)	(47,299)
	<u>2,386,679</u>	<u>55,675</u>
WORKING CAPITAL, END OF YEAR	<u>\$ 3,163,897</u>	<u>\$ 2,386,679</u>

Auditors' Report

To the Shareholders,

Unican Security Systems Ltd.

We have examined the consolidated balance sheet of Unican Security Systems Ltd. and its subsidiaries as at June 30, 1973 and the consolidated statements of income, retained earnings, contributed surplus and source and use of funds for the year then ended. Our examination of the financial statements of Unican Security Systems Ltd. and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, subject to the final outcome of the litigation referred to in Note 12 these consolidated financial statements present fairly the financial position of the companies as at June 30, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Laventhol, Krekstein, Horwath & Horwath
Chartered Accountants

Montreal, Quebec,
September 21, 1973.



Notes to Consolidated

Financial Statements

Year Ended June 30, 1973

1. Principles of consolidation:

The consolidated financial statements include the accounts of the company and all of its subsidiaries. As the Canadian and United States dollar at the acquisition date of the foreign subsidiaries was close to parity, the company has established a policy of translating the accounts of foreign subsidiaries to Canadian funds at a book rate of par. The company will continue to use this book rate, unless an exchange fluctuation deems it necessary to change the existing book rate.

2. Accounting policies:

a) *Inventories:*

Inventories are valued at the lower of standard cost and estimated net realizable value, with such standards approximating cost as determined by the first-in, first-out method.

The provision for obsolescence is calculated by means of an ageing formula applied to the year end inventory. In addition, the company has provided \$217,000 (\$487,000 in 1972) for estimated losses on discontinued products.

b) *Depreciation and amortization:*

Building and equipment are depreciated using primarily the straight-line method at rates based upon following estimated useful lives of the assets:

Buildings	— 5 to 40 years
Machinery and equipment	— 5 to 15 years
Leasehold improvements	— term of lease

c) *Amortization of intangible assets:*

I. Patents and franchise rights are amortized on the straightline method over their estimated useful lives, which are generally seventeen years.

II. Research and development expenses in respect of new products utilizing existing manufacturing processes are charged to operations as incurred.

Research and development expenses in respect of new manufacturing processes are charged to operations on the earlier of the date upon which production commences or twelve months from the date of the inception of the project.

III. On an acquisition of a business the parent company follows the policy of writing off, to retained earnings, the unallocated excess of the cost of the investment over the book value in the year of acquisition.

The company's United States subsidiaries, in accordance with the United States generally accepted accounting principles, follow the policy of amortizing such unallocated cost over the estimated beneficial life.

b) *Government grants:*

Various government grants are obtained to assist the companies in the research and development of new products and manufacturing processes. Grants in respect of current expenditures are applied in reduction of research and development expense.

e) *Pension plan:*

A subsidiary, Ilco Corporation, and its subsidiaries have various non-contributory retirement plans covering substantially all employees. Accrued pension costs are fully-funded and, at the date of the most recent actuarial valuation, the total of the pension fund assets are greater than the actuarially computed value of vested benefits.

3. Business acquired during current year:

On March 31, 1973 the company purchased the net assets of Dynation Corporation of Little Falls, New Jersey, as a going concern. Dynation Corporation produced padlocks and cable locks in the U.S.A.

The purchase consideration was as follows:

Issue of 77,000 common shares of the parent company at \$4 each	\$308,000
Net expenses relating to the acquisition	<u>1,447</u>
	<u>\$309,447</u>

Net Assets at book value:

Current assets	\$461,645
Fixed assets at appraised value	<u>550,640*</u>
	<u>1,012,285</u>
Current liabilities	299,779
Long-term debt	<u>640,650</u>
	<u>940,429</u>
Net assets acquired	71,856
Unallocated excess of cost of business acquired	<u>237,591</u>
	<u>\$309,447</u>

*\$185,320 has been allocated to fixed assets based on independent appraisal value determined on March 31, 1973.

4. Inventories:

Major components of inventories are as follows:

	1973	1972
Raw materials	\$1,761,404	\$1,738,608
Work-in-process	3,816,109	3,362,546
Finished goods	2,406,900	1,812,660
Dies	<u>23,703</u>	<u>59,402</u>
	8,008,116	6,973,216
Less: Provision for obsolescence and losses on discontinued products and product lines	<u>703,952</u>	<u>1,307,359</u>
	<u>\$7,304,164</u>	<u>\$5,665,857</u>

5. Land, buildings and equipment:

	1973			1972
	Cost	Accumulated Depreciation	Net Value	Net Value
Land	\$ 273,250	\$ —	\$ 273,250	\$ 382,700
Buildings	1,319,193	704,693	614,500	939,773
Plant, machinery and equipment	8,009,682	3,947,971	4,061,711	2,577,927
Leasehold improvements	479,661	88,506	391,155	314,695
	<u>\$10,081,786</u>	<u>\$4,741,170</u>	<u>\$5,340,616</u>	<u>\$4,215,095</u>

Depreciation and amortization amounted to \$638,456 in 1973 (\$378,063) in 1972).

6. Bank indebtedness:

Accounts receivable and inventories are pledged as collateral for bank indebtedness. A subsidiary has also granted mortgages on its real property and a floating charge on its other assets which together have a carrying value of \$1,699,987 as additional security for its bank indebtedness which totals \$2,611,132.

This collateral is subject to prior mortgages and liens in favour of Massachusetts Business Development Corporation long-term debt (Note 7).

7. Long-term debt:

	Current Portion	Long-term debt
Ilco Corporation and its subsidiaries (payable in United States funds):		
First mortgage due to Massachusetts Business Development Corporation, interest at prime rate plus 3% (minimum rate - 9½ %), payable in monthly instalments, maturing 1982 (Note 6)	\$ 56,364	\$ 450,909
5% loan, payable in monthly instalments, maturing 1980 — unsecured	27,000	464,000
Others, maturing on various dates through 1978 — unsecured	30,200	98,351
Total — Ilco Corporation and its subsidiaries	<u>\$ 113,564</u>	<u>\$1,013,260</u>
Unican Security Systems Ltd., and other subsidiaries:		
7¾ % first mortgage bonds, payable in monthly instalments maturing August 1976	26,400	55,000
9½ % debentures, held by government development grant agency, payable in monthly instalments, maturing January 15, 1980	13,720	160,541
12¾ % first mortgage bond, payable in monthly instalments maturing August 15, 1977 commencing September 15, 1974	—	127,400
10% loans from shareholders of which repayment is subordinated to repayment of bank indebtedness	—	60,000
8¼ % loan, payable to a government development grant agency in monthly instalments, maturing May 15, 1979	25,656	174,660
Loan payable to a government development grant agency without interest (except under certain conditions). The principal will be forgiven by the lender over a specified period of time provided the borrower adheres to the conditions of the loan agreement. In the event of non-adherence at any time, the loan becomes payable on demand. During the year an amount of \$11,734 was forgiven	—	82,133
Other loans payable, at various interest rates	33,268	52,070
Bank loans, payable in monthly instalments, (in United States funds) maturing on various dates through 1978	260,150	736,346
	<u>359,194</u>	<u>1,448,150</u>
TOTAL LONG-TERM DEBT	<u><u>\$ 472,758</u></u>	<u><u>\$2,461,410</u></u>

The long-term debt of Unican Security Systems Ltd., and its subsidiaries, other than loans from shareholders, is secured by a charge against land, plant and equipment and a floating charge on all remaining assets of certain subsidiaries. The carrying value of the assets pledged amounts to \$4,290,721.

The aggregate amount of payments estimated to be required in each of the next five years to meet principal retirement provisions of mortgages and loans payable agreements presently in effect are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
1974	\$473,000
1975	471,000
1976	452,000
1977	454,000
1978	399,000

Interest on long-term debt amounted to \$436,680 in 1973, (\$140,980 in 1972).

8. Capital stock:

Shares issued during the year were as follows:

<u>Number of shares</u>	<u>Price per share</u>	<u>Total Consideration</u>	<u>Description of Consideration</u>
250,000	\$4.25	\$1,062,500	Cash
77,000	4.00	308,000	Net assets of Dynation Corporation (Note 3)
38,030	5.00	190,150	Preferred shares of a subsidiary company
<u>365,030</u>		<u>1,560,650</u>	
Less: Share issue expenses of \$67,940 net of applicable deferred income taxes of \$34,649		<u>33,291</u>	
Net proceeds credited to capital stock		<u>\$1,527,359</u>	

9. Stock options:

10,000 Common shares are reserved for an officer presently engaged in research of certain processes. Should these processes become marketable, the officer has the option to purchase these shares at \$8. per share. This option expires June 30, 1975.

1,500 Common shares exercisable at \$5 per share expiring at the rate of 500 shares per annum.

10. Commitments under long-term leases:

a) The company rents a building from shareholders under a long-term lease which expires on October 31, 1983. Annual rentals are payable in advance, with the next payment amounting to \$56,000 due on October 31, 1973.

Annual rentals reduce by \$2,000 per year until October 31, 1981 and a final payment of \$15,000 is due on October 31, 1982 in respect of the ensuing year.

Under a separate agreement, the company has an option to purchase the property at any time during the term of the lease for the original purchase price of the shareholders of \$350,000 plus imputed interest from December 1969 at the rate of 3% compounded annually.

- b) Subsidiary companies have entered into rental arrangements for buildings which total \$168,000 over the next five years.

11. Contingent liabilities:

A government grant of \$82,450 was obtained in 1972. Under the provision of this grant the company is required to create a number of new jobs within a three year period. In the event that the total number of new jobs is not created, the company will be required to repay a portion of the grant to the government agency, based on the pro-rata deficiency in the number of jobs created. At June 30, 1973, more than one half of the jobs had been created and the company expects to create the balance of the jobs within the three year period.

12. Litigation:

- a) During 1970 and 1971, Ilco Corporation, a subsidiary, was named in a number of class actions against manufacturers of lock hardware alleging violations of antitrust laws. These actions were brought in various jurisdictions and have been consolidated for pre-trial proceedings in the United States District Court for the District of Connecticut.

Legal counsel is unable to assess whether any of these actions have merit and Ilco Corporation and counsel are unable to determine what damages, if any, may result from these actions.

- b) In July 1973, the company was named as one of three defendants in a suit initiated by a former officer and director of a subsidiary company alleging breach of contract. The plaintiff is seeking ordinary damages of approximately \$243,000 and punitive damages of \$500,000. Legal counsel is unable at this time to estimate the liability, if any, which may result from this action; however, counsel is of the opinion that punitive damages under the laws of the Commonwealth of Massachusetts are not normally recoverable.

13. Environmental action:

Ilco Corporation, a subsidiary, has been served with a writ for a suit in equity begun by the Director of the Division of Water Pollution Control of the Commonwealth of Massachusetts. The writ seeks the installation of anti-pollution devices to prevent unlawful pollution of the Nashua River. Legal counsel expects the suit will be resolved by the installation of pollution control equipment which will enable the Company to comply with the Clean Waters Act of the Commonwealth of Massachusetts. The company anticipates expending approximately \$250,000 for equipment needed to comply with the aforementioned writ.

14. Subsequent events:

a) Capital stock:

By a resolution passed by the Board of Directors on July 17, 1973, the company was authorized to redeem the 12,600 outstanding preferred shares at par value. On September 10, 1973, the preferred shares were redeemed.

By supplementary letters patent dated October 4, 1973, the authorized share capital of the company was increased by \$2,000,000.

b) Commitments:

On July 18, 1973, the company entered into an agreement for construction of a plant in North Carolina, U.S.A. for \$1,334,500. The company is negotiating for mortgage financing.

15. Government grants:

During the current year, the company obtained government grants in respect of current research and development expenses. Of the \$175,906 obtained, \$13,500 were non-taxable grants.

16. Income taxes:

Losses sustained in prior years are available as a deduction for income tax purposes in future years as follows:

Deduction available until	Ilco Corporation	Unican Security Systems Ltd. and other subsidiaries
1974	\$268,000	\$ —
1975	308,000	—
1976	4,000	4,892
1977	4,000	12,630
	<u>\$584,000</u>	<u>\$17,522</u>

In addition, Ilco Corporation has United States foreign tax credits and investment tax credits totalling \$126,000 and \$45,000 respectively, which are available as deductions for income tax purposes in various years up to 1979.

The companies charge operations with income taxes applicable to current income. Income taxes deferred by claiming deductions for income tax purposes in years other than the year in which charges are made to operations are shown in the balance sheet as deferred income taxes. Income tax savings resulting from the deduction of prior years' losses from the current years' taxable income are shown in the statement of income as an extraordinary gain.

17. Interests of minority shareholders in subsidiary companies:

a) Interests of minority shareholders are as follows:

	1973	1972
Minority interest of preferred shareholders	\$420,422	\$629,210
Minority interest of common shareholders	<u>73,214</u>	<u>8,349</u>
	<u>\$493,636</u>	<u>\$637,559</u>

b) The minority interests in net income of subsidiaries are as follows:

Dividends to preferred shareholders of subsidiary company	\$ 9,814	\$ 6,175
Interest of minority common shareholders in net income of subsidiaries	<u>21,585</u>	<u>16,058</u>
	<u>\$ 31,399</u>	<u>\$ 22,233</u>

18. Extraordinary gains:

Extraordinary gains (losses) are as follows:

	<u>1973</u>	<u>1972</u>
Net gain on sale of assets of discontinued subsidiary, of \$117,676 less applicable deferred income taxes of \$56,416	\$ 61,260	\$ —
Miscellaneous	—	(2,597)
Income tax savings resulting from the deduction of prior year's losses from the current years taxable income	270,906	265,819
Minority interest in extraordinary gains	(16,259)	(11,901)
Brought forward	\$315,907	\$251,321
Loss on defaulted notes guaranteed by a subsidiary net of related tax benefit of \$29,000	(31,000)	—
	<u>\$284,907</u>	<u>\$251,321</u>

19. Earnings per share:

	<u>1973</u>	<u>1972</u>
Net income before extraordinary gains	40	34*
Extraordinary gains	17	18
Net income per share	<u>57¢</u>	<u>52¢</u>
FULLY DILUTED EARNINGS PER SHARE:		
Net income before extraordinary gains	39	33
Extraordinary gains	16	17
Net income per share	<u>55¢</u>	<u>50¢</u>

Fully diluted earnings per share is based on the assumption that all of the 5% convertible preferred stock of Ilco Corporation outstanding at June 30, 1973, had been converted into common shares. The exercising of the common stock options (Note 9) would not have a dilutive effect on earnings per share.

*Includes results of Ilco Corporation and its subsidiaries for five months.

20. Remuneration of directors and officers:

	Unican Security Systems Ltd.	1973 Ilco Corporation	other subsidiaries
Number of directors	7	7	24
Aggregate remuneration of directors as directors	\$ 6,450	—	—
Number of officers	6	7	33
Aggregate remuneration of officers as officers	\$163,119	\$131,366	\$136,177
Number of officers who are also directors	3	4	19

Certain directors and officers hold positions in more than one subsidiary.

21. Comparative figures:

The presentation of the 1972 financial statements has been reclassified to conform with the 1973 presentation.

GENERAL INFORMATION

Headquarters Office

5795 de Gaspé Ave.,
Montreal, Que. H2S 2X3
(514) 273-0451

Auditors

Laventhol, Krekstein, Horwath & Horwath,
Suite 621,
Place Victoria,
Montreal, Que. H4Z 1H4

Counsel

Johnston, Heenan & Blaikie
4 Place Ville Marie,
Montreal, Que. H3B 2G1

Bowditch, Gowetz & Lane,
340 Main St., No. 565,
Worcester, Mass.

Stock Exchanges

Montreal & Toronto Stock Exchanges
Symbol UCS

Registrar — Transfer Agents

Royal Trust Company,
Montreal, Toronto

Bankers

The Toronto Dominion Bank,
3590 St. Lawrence Blvd.,
Montreal, Que. H2X 2V3

The First National Bank of Boston,
100 Federal Street,
Boston, Mass. 02110

Worcester County National Bank,
P.O. Box 529,
Worcester, Mass. 01608

Directors & Officers

A. M. FISH

President and Director

J. L. SWITZER

Executive Vice-President and Director

S. I. BELZBERG

Vice-President manufacturing and Director

A. G. LESTER

Director

MRS. A. M. FISH

Directress

IRA MILTON JONES

Director

DAVID STENDEL

Director

DR. C. BERGER

Vice-President Research and Development

S. D. SILVER

Treasurer and Controller

Subsidiaries

Capitol Industries Ltd.,
5795 de Gaspé Ave.,
Montreal, Que. H2S 2X3

Richmond Machine Tool and
Die Casting Company Limited,
Cornwall, Ontario K6H 5T1

Unican Security Systems, Corp.,
Industrial Center, Beekmantown,
Plattsburg, N.Y. 12901, and
47 Sindle Ave.,
Little Falls, N.J. (Dyna Lok Div.)

Simplex Security Systems Inc.,
10 Front Street,
Collinsville, Conn. 06022

Ilco Corp.,
35 Daniels Street,
Fitchburg, Mass. 01420

Unikis Japan Co. Ltd.,
25 Yokobori 7-Chome
Minami-Ku, Osaka, Japan

Unikis Limited,
5795 de Gaspé Ave.,
Montreal, Quebec H2S 2X3

